

**MUNICIPALITY OF BRANDT**  
**INTERNAL CONTROL REVIEW**

**July 26, 2005**

**MUNICIPALITY OF BRANDT  
MUNICIPAL OFFICIALS  
August 4, 2005**

**Board President:**

**Greg Anderson**

**Trustees:**

**Gary Kjenstad  
Sue Sutton**

**Finance Officer:**

**Laurie Tegantvoort (resigned effective July 13, 2005)**

**Municipal Attorney:**

**Todd Boyd**



MUNICIPALITY OF BRANDT  
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MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

REPORT ON THE LIMITED STUDY OF INTERNAL CONTROL  
PERFORMED IN ACCORDANCE WITH SOUTH DAKOTA CODIFIED LAWS 4-11-4.1

Governing Board  
Municipality of Brandt

We have made a study of selected elements of internal control of the Municipality of Brandt in effect at July 26, 2005. Our study was performed pursuant to South Dakota Codified Laws 4-11-4.1 and was limited to selected accounting controls contained in the codified laws and other selected controls we felt were significant to the Municipality of Brandt. Our study was not conducted in accordance with the standards established by the American Institute of Certified Public Accountants for the purpose of giving an opinion on internal control in effect at the Municipality of Brandt.

The management of the Municipality of Brandt is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

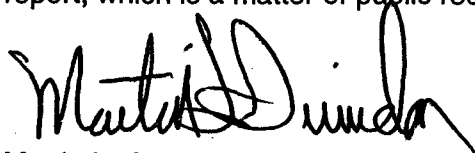
Our study was more limited than would be necessary to express an opinion on internal control of the Municipality of Brandt. Also, our study would not necessarily disclose all significant weaknesses in internal controls of the Municipality of Brandt. Accordingly, we do not express an opinion on internal control of the Municipality of Brandt in effect at July 26, 2005.

However, our study did disclose weaknesses in internal controls of the Municipality of Brandt in effect at July 26, 2005, as discussed below:

- a. The governing board did not adopt a policy establishing the minimum cost of items that should be considered fixed assets of the Municipality. In addition, general fixed asset records, enterprise fund fixed asset records and depreciation schedules were not established or maintained.

- b. The Municipality did not maintain a formal policy and procedural manual.
- c. The Municipality's accounting records were not properly stored in a fire proof location and computer access to these records was not restricted. The café and bar revenues were not properly controlled in a secured physical location and are susceptible to loss.
- d. Café and bar revenues were not properly controlled and susceptible to loss because the following necessary controls were not accomplished: 1) Unannounced counts of the cash on hand at the liquor store were not performed, and 2) No formal written policy has been adopted regarding charge sales to individuals at the café and bar and for the proper handling of non-sufficient fund checks.
- e. Preumbered duplicate receipts for revenue collected were not issued in violation of South Dakota Codified Law (SDCL) 9-22-3.
- f. Dual signatures were not required for all checks written and vouchers were not used for each payment made.
- g. The finance officer's surety bond coverage did not comply with the requirements of SDCL 9-14-6.1. The law requires a bond equal to the amount of cash on hand but coverage need not exceed \$150,000. The Municipality's cash balances were approximately \$37,000 at June 30, 2005, while the surety bond coverage was only \$15,000.
- h. Interfund transfers were processed without first being approved by a two thirds vote of the governing board in violation of SDCL 9-21-26.1
- i. Budget overdrafts of actual expenditures compared to amounts appropriated in the General Fund were noted in violation of SDCL 9-21-9.
- j. The Municipality borrowed \$21,255.55 on July 31, 2000 from a local bank to be paid over six years. This loan was in violation of SDCL 9-25-12 which limits such loans to a repayment period of not more than five years. This loan was also in violation of SDCL 9-25-13 which limits the amount that can be borrowed on a promissory note.
- k. The Municipality borrowed \$50,000 on January 19, 2005 from a local bank to be paid over ten years. This loan was in violation of SDCL 9-25-12 which limits such loans to a repayment period of not more than five years. This loan was also in violation of SDCL 9-25-13 which limits the amount that can be borrowed on a promissory note.

This report is intended solely for the use of management and the governing board and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Martin L. Guindon, CPA  
Auditor General

August 4, 2005

**MUNICIPALITY OF BRANDT  
AUDITOR'S COMMENTS**

**Closing Conference**

The entire contents of this report were discussed with the governing board, finance officer and the café/bar manager on August 4, 2005.